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GENERAL TENDENCY TO PROMOTE THE ELIMINATION OF MERCHANTS

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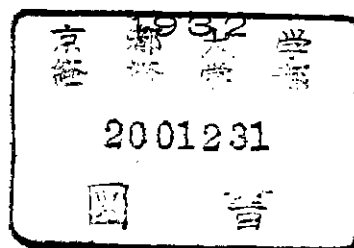
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GENERAL TENDENCY TO PROMOTE THE ELIMINATION OF MERCHANTS

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1. THE ELIMINATION MOVEMENT AND THE ELIMINATION TENDENCY

The object of this article is to consider the tendency to eliminate merchants, a tendency which is already growing rapidly in actual society—so as to make clear the course of commercial development in these days and to contribute to a better outlook in the future. This problem has already been discussed by many scholars. The point which characterizes this article is the consideration of this tendency as one of the laws of social economy which operates regardless of the wishes, efforts or movements of individuals, and to explain that law on the ground of the development and the evolution that occur in the process of social production, not on the basis of the subjective or psychological causes of individuals, so that the future course of commercial development may be indicated along objective social lines.

World economic crisis or depression manifests itself in the appearance of a world-wide depression of the market. And individual efforts to overcome it necessarily take the form of competition for sales on the part of individual producers and merchants. But so far as this competition for sales is confined to that of economical there is no other type

of competition but the selling of articles of good quality at lower prices than others. To this end, it is absolutely necessary not only to reduce cost through the rationalisation of the management of the business itself but to purchase materials or commodities and to sell manufactured goods or commodities on favourable terms. It is for this reason that in the actual state of distress the desperate efforts of producers or merchants are chiefly directed to the side of their purchases or sales.

To make buying or selling favourable, mass purchases or sales are most recommendable, but mass purchases are impossible unless mass sales are assured. And so far as mass sales are very difficult, the question remains unsolved. It is, therefore, self-contradictory to urge mass sales for the improvement of the depressed market. Advocacy of such kind deserves attention only when it refers to the inauguration of a new enterprise or a new form of business, entirely different from the businesses already existing, as, for example, the "Ten-Sen Stores" which have come into being in big cities of our country. But the theory of mass purchases or of mass sales indicate nothing for those who want to buy or sell on favourable terms while carrying on their present enterprises.

Not so with the method of direct purchases or sales, however. As it aims at direct transactions with a party beyond the merchants with whom the purchasers or sellers have hitherto been in direct contact, while at the same time retaining their enterprises in their present form, it tends to eliminate such merchants. Their elimination is not necessarily its direct aim; it simply aims at direct transactions from the necessity of securing favourable terms of purchase or sale.

Direct transactions, as signifying the efforts of individual enterprises, take place not only as individual efforts of intermediary merchants or intermediary producers, but as organised efforts of original producers or final consumers, that is, chiefly as the movements of sales guilds

organised by agricultural producers or the movements of co-operative societies formed by urban consumers. These latter movements are now making rapid progress. Their direct object is not the elimination of intermediary merchants, but to acquire the best terms possible of sales or purchases. Nevertheless to effect mass transactions on favourable terms as an organised movement, leads of necessity to the elimination of brokers and small merchants. In this sense, the movements may be regarded as a means making for the elimination of merchants. The individual efforts of intermediary merchants or producers, like the organised movements of producers or consumers, are prompted by the motive of securing favourable terms in their sales or purchases.

The present article is not, however, concerned with the elimination of merchants as illustrated in such conscious and intentional efforts or movements on the part of individuals or organised bodies. The movement for the elimination of merchants in this sense is, of course, actually going on in present-day society, and there can be no doubt that it is very important, from the point of view of national economy, to discuss such a movement in its bearings on economic policy or commercial policy. The present article is nevertheless intended for the study of another and different tendency to eliminate merchants, which embodies one phenomenon in social economy and is more fundamental in nature. It represents one law which is bound to develop socially and objectively as one tendency of commercial development, no matter whether we welcome it or not.

Needless to say, the movement for the elimination of merchants and the tendency to eliminate them are not entirely unconnected with each other. The fact that individual or organised efforts or movements to eliminate merchants are attracting public attention in actual life at present shows, in a sense, that the development of actual life has reached a stage at which the elimination of merchants is either necessary or possible. If so, it may be said

that the elimination tendency induces these movements or efforts. If such movements were started or such efforts put forth when the objective circumstances of social economy are yet unripe for them, they would most probably not fructify. On the other hand, without efforts or movements to compass elimination, it would be difficult to bring about this tendency of elimination as a social phenomenon. That is to say, the tendency to eliminate merchants in our social economy shows itself as the result of social synthesis of individual or organised movements or efforts. In any case, efforts or movements to eliminate merchants as embodying one form of rivalry for markets becomes a question of social economics only when they are viewed and explained in the light of an objective law of social development, independently of the subjective desire or will of individuals. It is for this very reason that we direct more attention to the tendency than to the movement of elimination, while recognising the existence of such movements.

(Note) It was in the eighteen eighties, or in the last quarter of the last century when capitalism developed a new turn, that the tendency to eliminate merchants began to attract attention. The intermediary merchants in question at that time were, however, chiefly commercial agents or commission merchants in foreign trade. Later, the tendency to eliminate merchants in general was taken note of by many scholars until Professor Schär chose to describe "Einschaltungstendenz" or "Ausschaltungstendenz" as one "schema."

However, most scholars do not distinguish between "tendenz", "erscheinung", "bewegung", and "bestrebung." First, Weigert and Schar look on them as a tendency or a phenomenon, pure and simple. "Die Erscheinung ist jedoch keine willkürliche, zufällige, sondern die natürliche Veränderung der Verhältnisse, hervorgerufen durch den Wandel, der sich in unseren wirtschaftlichen und Verkehrs-Einrichtungen vollzogen hat." Secondly, Clark and other scholars regard them as mainly in the light of a movement or an effort. Clark says: "Thus, for some years past, agitation for the 'elimination of middlemen' has been carried on from the standpoint of the general consumer and of the farmer." Lastly, a considerable number of scholars including Bonikowsky, Sombart and Lexis, recognise both: "Sind so die Hindernisse für den direkten Verkehr zwischen Produzenten und Kleineren Abnehmern durch die neuere wirtschaftliche Entwicklung zu erheblichen Teil fortgeräumt, so liegt andererseits auch unverkennbar das Bestreben vor, diese veränderte Situation auszunutzen, den Grosshandel

beiseite zu schieben, Dies Bestreben ist aber weniger auf Seite der Produzenten als auf Seite der kleineren Abnehmer bemerkbar."

2. THE MEANING OF THE ELIMINATION OF MERCHANTS

As I have already pointed out in the previous chapter, the tendency to eliminate merchants which is under discussion means that tendency which constitutes a law of development in social economy, not the elimination movements or efforts which represent the conscious activities of individual enterprises. It must, then, be made clear, to start with, whether the tendency to elimination in this sense actually exists in present-day society. Some scholars deny its existence. Professor Eulenburg, for instance, asserts: "Die Phrase von dem 'Ausschalten des Zwischenhandels' ist durchaus irrig; der Handel gewinnt im Gegenteil für die Produktion noch grossere Bedeutung und zwar auf allen Stufen des Produktionsprozesses." Professor Hirsch also denying its existence says: "Fast 30 Jahre lang sind sich nun Wirtschaft und Politik darüber einig gewesen, dass die Bedeutung des selbständigen Handels, mindestens aber des Grosshandels, im Ruchgang begriffen sei. . . . Die tatsächliche Entwicklung zeigte aber, auch wenn man nur den beruflich spezialisierten Handel heranzog, bis zum Weltkriege hin noch überall das umgekehrte Bild, nämlich ein stetiges, meist schnelles Anwachsen von Handelsgewerbe und Handelsstand."

Professor Hirsch bases his contention on the statistical fact that the number of merchants in entire society is steadily on the increase, either absolutely or relatively. He points out that while the rate of increase in the total population of Germany during the 25 years of from 1882 to 1907 was 40 per cent., that in the number of merchants was 76.4 per cent., and that in the number of commercial employees 146.1 per cent. It is possibly true that a tendency to eliminate merchants is not recognisable in any

one country, if the matter is considered with exclusive regard to the number of merchants in society.

His argument is, however, irrelevant to the discussion of what we call the tendency to eliminate merchants, which simply means the elimination of merchants in one succession of the process of circulation from the producer to the consumer of some particular commodity. Accordingly, even when the elimination of merchants in this sense is rapidly going on, there can be an increase in the total number of merchants, if there is an expansion in the system of circulation, or the diffusion of the production of merchandise, due to the increase of kinds or quantities of commodities. Such being the case, the relative increase in the commercial population, as pointed out by Professor Hirsch, has no bearings on the tendency to eliminate merchants under discussion. It neither affirms nor negatives it.

Strictly speaking, the so-called tendency to eliminate merchants means the tendency to eliminate a commercial class in the process of circulation. But, for one stage of circulation socially existing, as, for example, the class of brokers in producing centres, to be excluded and go out of existence, there must of necessity be a decline in the number of merchants belonging to this class in the course of this process of extinction. The decrease of the number of merchants in this sense being the initial manifestation of the elimination tendency, may well be regarded as one expression of the tendency.

The elimination tendency in this sense, namely, elimination referring to one stage in the process of circulation, does not, however, necessarily bring about a decrease in the number of merchants as a whole. Even where the number of merchants is diminishing, the commercial functions as a whole actually grow, grow, if the scale of business of individual merchants expands at a greater rate. On the other hand, the functions of merchants as a whole will decline even when the number of merchants is increasing, if the reduction of scale proceeds at a greater rate. It is,

therefore, difficult to infer the existence of the elimination tendency merely from the fact of the decrease in the number of merchants at any one stage. Changes in the scale of business on the part of merchants must be taken into due consideration at the same time. If in commerce, as in industry, the scale of expansion is affected by means of amalgamation, there must be a decrease in the number of merchants belonging to the same affected stage even where no elimination tendency exist. Whether a decrease in the number of merchants is due to amalgamations of commercial enterprises or whether it is owing to any tendency to eliminate merchants, cannot be determined unless changes in the commercial scale are first carefully examined. If the number of merchants and the scale of their business operations are taken into due account, therefore, the elimination tendency manifests itself in one of the following cases only, namely, (1) when the scale is not extended beyond the degree of decline in the number of merchants, (2) when the scale is reduced at a greater rate than that of increase in the number of merchants, and (3) when there is a reduction of the scale, though neither increase nor decrease takes place in the number of merchants.

This puts in clear view the difference between the elimination of merchants and the elimination of commerce. When the concentration of commercial enterprises take place at a certain stage of circulation, it leads to the exclusion of a certain number of merchants, but not to the elimination of commerce. Again, when the system of joint sales or joint purchases develops, merchants are eliminated to the extent of the operation of the system, but the elimination of commerce is not necessarily involved in this instance. By direct transactions on the part of producers or consumers, however, both merchants and commerce are eliminated, though in this case too, the very acts of purchase or sale persist. If things are carried further, and trusts are formed in each line of industry, even commercial transactions are eliminated, all merchants and commerce in

whatever form going out of existence.

(Note) Dr. Uchiike introduced Professor Schar's theory into this country some time ago, and commenting on this theory, he denied the so-called tendency to eliminate merchants. It is not clear, however, whether the Doctor denies the elimination tendency in the nature of the law of commercial development, or whether he repudiates the elimination movement on the part of producers or consumers. This ambiguity arises from the fact that Dr. Uchiike, like many other scholars, draws no clear line of demarcation between the elimination movement and the elimination tendency. Dr. Ueda and Professor Fukuda clearly recognise the tendency to eliminate merchants.

3. CHARACTERISTICS OF COMMERCIAL DEVELOPMENT

How, then, can the tendency to eliminate merchants as one manifestation of the law of commercial development be explained on social grounds, independently of the consideration of the wishes or efforts of individuals or organised bodies? In order to make this point clear, we must, first of all, study commercial development considered as a important phase of the progress of social economy.

One prominent characteristic of commercial development is that it is helped forward more by external circumstances—impelled most particularly by the progress of the process of production—than by its own motive power. Inasmuch as the process of circulation exists only as a link connecting one process of production with another process of production or with the process of consumption, it is naturally considerably affected by the state of the process of production with which it is connected, especially by the scale of production. In the same way, of course, the process of production cannot be free from the effects of the process of circulation. That the development of the division of labour is conditioned by the expansion of the market is a case in point. The development of the process of production is, moreover, greatly restricted by its own conditions. It admits of no doubt that machinery and other technical progress of the means of labour, coupled with the

systematic progress of the labour connected with them, were powerful factors in the introduction of modern mass production.

Thus, while the development of the process of production is stimulated chiefly by internal conditions, the development of the process of circulation is prompted by external conditions more largely. It is, of course, undeniable that commerce is influenced by the progress of social means bearing on the circulation of commodities, viz. the currency system, means of communication, means of conveyance, organs of gathering information, etc., but even supposing that these circumstances remain unchanged, commerce cannot but be affected by any marked changes which may come over the process of production—the scale of production especially. Although the process of circulation is impossible without the process of production, the process of production can and does exist without the process of circulation. The difference in the conditions of development referred to presumably arises from this fundamental difference between them.

Commerce in ancient times and in the middle ages was based on a self-supporting economy, no matter whether the process of production at the time was along the lines of slavery economy or along those of feudal economy, and the commodities which were put into circulation were limited to surplus products or special natural products. Commerce in those days was different from commerce to-day; exchange (tauschen) corresponded to deception (täuschen) and commerce (Handel) to quarrel (Händel). The process of production which developed in the latter period of the Middle Ages, that is, the new form of commerce which developed to cope with the manual household industry gradually acquired the most dominant social position which commerce was capable of. The commercial capital that was accumulated formed the starting point for modern capitalism. On the conversion of commercial capital into industrial capital, capitalist commerce was brought into

being in order to cope with the newly developed mass production on capitalistic lines. Not that all industries of to-day have acquired the form of mass production based on capitalism, however. Especially in this country, not a small proportion of industry is still at the stage of household industry on a comparatively small scale. There is accordingly still wide room left in commerce for the operation of the medieval commercial system in which whole-sale dealers play the leading part.

Almost concurrently with the growth of modern capitalism out of commercial capital, the process of the circulation of commodities expands in three directions in its relation to the process of production. First, there is a split in the process of production on account of the division of one process of production into two or more processes connected with each other. This development necessitates the increase of the processes of circulation to which these processes are related, with the result of introducing the tendency to interpose merchants. Secondly, there is the expansion of the process of production due to the increase of commodities in kinds and quantities produced, consequent on the expansion of all phases of production, namely, the wide spread of commercial production. This development also of necessity leads to the growth of the process of circulation, which affords room for the intermediation of merchants in all commercial activities. Thirdly, in consequence of the separation of production from consumption, that is, due to the growth of detachment between the process of production and the process of consumption in respect of personnel, locality and time, the process of circulation which connects the above-mentioned two processes is divided into a number of stages, which bring about the increase of intermediary merchants. What Professor Schar refers to as the tendency for merchants to interpose applies to the last-mentioned case only.

In the case of the capitalism already existing, its development first shows itself in the enlargement of in-

dividual enterprises. This enlargement does not, however, take place simultaneously and uniformly at all stages of the process of production. In some industries, the initial stages of the process of production are the first to expand, but in most industries, enlargement first appears in the intermediate stages of the process of production. These expanded intermediate stages must accordingly be joined to many processes of production, not yet expanded, in the preceding stages in the process of circulation, that is, the process of purchases of raw materials and other things. It must similarly be joined to many small-scale enterprises in the succeeding process of circulation, viz. the process of sales of manufactures. When there occurs a loss of balance in scale between the enlarged stages of the process of production and the stages preceding or succeeding them, and a large number of small enterprises are joined to a small number of big enterprises, the intermediation of merchants or a class of merchants becomes necessary so as to make them undertake the collection or distribution of commodities, if equilibrium is to be restored and better conjunction be re-established. For instance, if in the cotton industry, big enterprises arise in the spinning industry, which constitutes the intermediate stage of the process of production, the intermediation of merchants becomes necessary so that they may undertake the purchase of cotton from many small cotton raisers or import it from abroad to facilitate mass purchases by cotton mills. The intermediation of merchants will also become necessary for the purpose of selling large quantities of cotton—the result of mass production—to many small weavers. Thus, the tendency for merchants to interpose is bound to take place, when there is the enlargement of enterprises in the process of production, whether at the initial, at the intermediate or at the last stages.

As will be clear from what I have explained, the development of commerce is dependent more on the development of the process of production with which it is connected than on its own growth. And if the development of the

process of production is limited to the extent as already described, the tendency to eliminate merchants will not appear yet. On the contrary, an opposite tendency—the interposition of merchants—will then invariably arise as we have already touched.

(Note) Even among the scholars who recognise, besides the elimination movements launched by individuals or organised bodies, the existence of an elimination tendency as one of the laws of commercial development, there are very few who recognise it in its relation to the development of the process of production. Many scholars, of course, recognise the elimination tendency as an outcome of economic development, but what they mean by economic development is simply the progress of the means of intercourse in a wide sense, and not the development of the process of production—changes in commercial functions arising out of its altered scale especially. For example, Professor Cohn says: "Es ist einer der Triumphe entwickelter Verkehrsmittel, dass diese den Handel an gewissen Stellen ausschalten, dass diese den Handel an gewissen Stellen ausschalten, dass trotz weiter Entfernungen der unmittelbare Verkehr zwischen Produzenten und Konsumenten ermöglicht wird." His theory is shared by Bonikowsky, Lexis and Dr. Ueda.

4. THE DEVELOPMENT OF CAPITALISM AND THE TENDENCY TO ELIMINATE MERCHANTS.

As I have already explained, the tendency to eliminate merchants makes no appearance in the initial stages of the establishment of capitalism and of its development, regulated by the counteracting tendency for the process of production to develop, and there is then a positive tendency for more merchants to interpose. Under what conditions then, does the elimination tendency in question arise? Here again the question is chiefly conditioned by the development of the process of production.

The enlargement of individual enterprises, as I have already stated, does not take place simultaneously and uniformly in all stages of production, but, in most industries, it has its origin in the intermediate stages. If it does not first appear in the intermediate stages, it starts at some other particular stage. Nor is it permanently confined to these particular stages. With the development of capitalism, it gradually extends to the preceding and succeeding stages

of production. As a result, enterprises at all stages become enlarged and connection is gradually effected between them. In this way, the equalization of the scale of enterprises is brought about, a circumstance which naturally reduces the scope for the intermediation of merchants whose function it is to collect or distribute manufactured goods. This brings on the phenomenon of the elimination of merchants. Take the case of the cotton industry, for instance. In the days when the spinning industry only was enlarged in scale, the intermediary merchants were necessary for the distribution of the enormous output among many weavers. The subsequent development of big weaving companies brought about the tendency to eliminate these intermediary merchants, because the necessity of mass purchases of cotton yarn caused these companies to have direct dealings with the cotton mills. With regard to the finished cotton textile industry that follows in order, there is room enough for the intermediation of cotton cloth merchants, so long as it is still conducted on the small scale of household industry, but when it comes to be operated on a large scale, the tendency is bound to arise for the cotton cloth merchants to be eliminated.

Such being the case, the tendency to eliminate merchants is due to the effects of the extension in scale of enterprises on the preceding or succeeding process of production than to the mere fact of the enlargement of enterprises. The same result is brought about by the enlargement of the processes of production on both sides which are linked to the same system of production. For instance, in the system of production in the cotton industry, viz. raw cotton—cotton—work-up—finished goods, the process of circulation connected with this industry is not confined to this series. The industry is also linked to a variety of the processes of production belonging to many different systems, co-existent in juxtaposition, in the purchases of many commodities, such as the means of labour like machinery and implements, subsidiary means like coal and oils, and supplementary

means like dyestuffs, etc. In this way, the concomitant processes of circulation becomes necessary. In this case too, when the enlargement of enterprises proceeds in a single system of production, the intermediation of merchants is rendered necessary for the reasons already given, but when the enlargement tendency extends to the concomitant processes of production belonging to different systems, equalization of the scale of enterprises take place, with the result that the necessity of the functions of collection and distribution is reduced. This gives rise to a tendency to eliminate merchants also.

Thus, as the tendency toward the enlargement of enterprises becomes general, or in other words, with the general springing up of big enterprises in consequence of the growth of capitalism, the tendency to eliminate merchants becomes apparent. Such a tendency embodies neither a reflection of the wishes of a section of the people nor the result of their manoeuvrings. Nor is it attributable to negligence or drawbacks on the part of merchants. It is simply due to the fact that the process of social production has attained a degree of development which either renders unnecessary the social functions of collection and distribution performed by merchants or at least makes them less necessary than before.

How far, then, can this tendency to eliminate merchants that attends the general growth of big enterprises be expected to develop? The answer to this question depends, after all, on the extent to which the tendency for enterprises to grow in scale is spread. It is generally believed that in the initial process of production, that is, the original production—in agriculture especially—the enlargement tendency does not proceed so far as in industry. It is even considered that as the degree of intensification increases, a tendency for enterprises to be reduced in scale will manifest itself. In our household consumption also, which constitutes the last stage of the process of consumption, there is practically no indication of big concentrated household consumption

coming about as in industry the general tendency being for the big family principle to give place to the small family principle. Owing to this contradictory tendency at both ends, there must be certain limits to the growth of the expansion of enterprises, and the tendency to eliminate merchants must gradually be restricted as it approaches both ends. Such is what we commonly conceive as the relation between the enlargement of the process of production and the tendency to eliminate merchants. Is this point of view justifiable, however?

The recent course of the progress of actual society seems to leave little room for doubt that the two ends of agricultural production and of household consumption have been developing a tendency to expand in a new sense, if they do not indicate the enlargement tendency in the commonly accepted sense. Whether it is agriculture or household finance, they have the two phases of management, internal and external. Or they have the two phases of the process of circulation and that of production or consumption in a narrow sense. The expansion in the old sense means chiefly the augmentation of internal management or the process of production in a narrow sense, as evidenced by the establishment of big factories, the creation of big department stores, etc. Needless to say, the expansion of the scale of enterprises in this sense necessarily entails the enlargement of the preceding and following process of circulation. In other words, it leads to mass purchases and mass sales. But it is essentially the extension of internal management.

On the other hand, the new form of the expansion tendency is concerned with external management only. While keeping internal management as it is, it is designed to promote mass transactions in regard to external management or in respect of purchases and sales. In the expansion of this form, the technical or internal management of enterprises can either be left on the same small scale as hitherto or be even reduced in scale, and so it can be

applied to agricultural production or household consumption. It is, so to speak, a form of concentration along union lines. By organising co-operative societies, individual enterprises make mass purchases of raw materials and other commodities, while, on the other hand, ensuring mass sales through the concentration of the process of commodity sales.

This form of concentration is actually making remarkable development in present-day society. The development of the practice of joint purchases of fertiliser and other articles and the progress of joint sales of rice, cocoons, vegetables, fruit and other products, in agricultural production, testify to the possibility of the new form of extension becoming larged in scale, despite the impossibility of the enlargement of agricultural production in the old sense. On the other hand, the marked development of purchases associations and co-operative societies of late illustrate the steady progress of the new form of enlargement in household consumption.

Of course, this new form of the enlargement of enterprises alone can bring about the elimination of merchants; the enlargement of internal management or technical management is by no means necessary to give rise to this result. The reason why the enlargement of enterprises in the old sense leads to the elimination of merchants is that it stimulates mass purchases and mass sales at the same time. The new form of enlargement aims exclusively at mass purchases and sales. This is true not only in theory but in actual practice also. In the agricultural districts where producers' sales associations and joint sales are in active operation, the tendency to eliminate the local brokers and merchants is becoming more marked as such systems undergo greater development. It is at the same time noticeable that in urban districts where co-operative societies of consumption are well developed, urban merchants are more or less eliminated, at least within the limits of the commodities handled by such societies. Especially in regard to rice, its direct supply

from the producer to the consumer is being realised in many places through the operation of modern union organizations, to the exclusion of all merchants in both urban and rural districts.

In short, there is a tendency for the enlargement of individual enterprises attendant on the development of capitalism to become general when it assumes the new form of concentration on union lines, even in regard to such agricultural production and household consumption as are technically on a small scale. So long as this tendency lasts, the tendency to eliminate merchants arising from the result of the enlargement will probably become general. As a matter of fact, there are indications that it is gradually becoming general.

5. CARTELS, KONZERNES, AND TRUSTS AND THE TENDENCY TO ELIMINATE MERCHANTS

Setting apart the question of influences which cartels and other forms of enterprises in the latter period of capitalism exercise on commerce generally, I will here confine my attention to the study of the effects which the development of such forms produces on the tendency to eliminate merchants.

In the first place, let me consider whether the formation of cartels among the producers brings about the elimination of merchants. It is generally believed that "the elimination of intermediary merchants is not a concomitant of the growth of cartels in production." For, it is explained, when intensive cartels control sales by their central shops, the regularity of sales and the certainty of payments are essentially required, and as they do not wish to deal directly with small retail merchants, the way is open for the intermediation of big merchants. It is true that as cartels in this case aim at the enlargement of the process of sales, the intermediation of merchants is called for, as already explained, and so presumably it does not bring on a ten-

dency to eliminate the entire functions of intermediary merchants. In other words, the elimination of commerce itself will not ensue in this case. But intermediary merchants who come in contact with the central shops of can cartels will be limited to a small number of big merchants of particularly large means, and all other merchants will necessarily be eliminated. Even if cartels of this kind do not cause the elimination of commerce, they at least stimulate the tendency of the concentration of commerce with the inevitable result that merchants of limited means are eliminated. If such cartels perfect their sales system and proceed to operate retail business themselves, like the oil and liquor industries in many foreign countries, all the intermediary merchants will be eliminated. Such being the case, although cartels are not, of course, the sole cause of the elimination of merchants, they constitute one important cause. From this point of view, Professor Liefmann is right when he says: "Mit allen diesen Massregeln wirken die Kartelle im Sinne Ausschaltung, des Grosshandels und fordern damit eine in dieser Richtung gehende, auch sonst in der heutigen Volkswirtschaft vorhandene Entwicklungstendenz."

It is, on the other hand, said that cartels tend to ensure the position of wholesale merchants by blocking direct purchases from retail merchants. It is true that the retail merchants' movement for the elimination of wholesale merchants is checked by cartels, as the central shops of cartels deal usually with influential big merchants, instead of with individual small merchants, but the wholesale merchants whose interests are thus protected by cartels are limited to a small number of influential merchants. As regards the large majority of wholesale merchants, they are, so far from being protected, rather excluded, as I have already explained.

When producers' cartels have concluded an agreement about their respective markets, the producers who monopolise the market in a certain fixed region enter into permanent

relations with the purchasers of this limited area. This renders unnecessary the major part of the functions hitherto performed by merchants, so that wholesale merchants and other intermediary merchants stand to be eliminated by degrees. With regard to cartels of a milder nature, that is, cartels whose functions are confined to the fixing of the sale price, the determination of the lowest price and the curtailment of output by agreement, they do not necessarily or directly give rise to a tendency to eliminate merchants; but in this case also, the sphere of activity for merchants and accordingly their social functions become ruthlessly restricted until the independent existence of merchants becomes merely nominal, merchants being to all intents and purposes turned into agents.

The elimination of merchants by the *konzerne* takes the form of the establishment of a sales company as its sister concern. In this case, too, commerce itself is not eliminated, but no doubt, it gives rise to a tendency to eliminate independent merchants. Although sales companies of this kind are independent enterprises in form, they are, in substance, entirely of the same stock as the manufacturing companies concerned—especially close is their connection in monetary matters. As they monopolise the market for the manufactures, the extent to which they eliminate merchants depends on the amount of influence exercised by the *konzernes* concerned. Since such *konzernes* are, indeed, organised where the producing capacity is *huze* quite big, it may be concluded that the tendency to eliminate merchants arising from their organisation is fairly strong.

Lastly, in regard to trusts formed by the merger of enterprises in the same trades, not only do they eliminate merchants but the circulation of commodities itself is eliminated. As in this form of concentration all kinds of enterprises in the vertical relation are combined, the relations of purchases and sales of commodities between them cease to exist. Big trusts which are comprehensive enough to cover the entire process from the initial production of com-

medities to their final sales are rather exceptional in existing circumstances, it is true, but sectionally, such a tendency is in evidence in many trades. It seems accordingly certain that the tendency to eliminate merchants will arise according to their scope and extent.

6. BUSINESS CYCLES AND THE TENDENCY TO ELIMINATE MERCHANTS

In the above consideration, I neglected the problem of the business cycles attendant on the development of capitalism. But, in order to view the question in a more practical light, let me now consider how the intermediation of merchants and the tendency to eliminate them are influenced by changes in business conditions that come raund periodically.

As stated at the start, in these days of world panics or depression, the movements to eliminate merchants that are prompted by the competition for sales are growing among producers, consumers and merchants alike. If the tendency to eliminate merchants develop from such social movements, the elimination tendency in times of panic and depression must be much more pronounced than in ordinary times.

Besides, in the days of business panic or depression, there occurs a general contraction of the process of social production, with the natural result that the process of circulation which is at once the cause and the result of the process of production is proportionately contracted. In other words, there is a considerable decrease in the total volume of commodities in circulation in society. This also leads to the reduction of the social functions of commerce as a whole. To the extent of this reduction, commerce and therefore merchants are eliminated. Such being the case, even if there were not keen competition for sales during a depression, the tendency to eliminate merchants is bound to arise. And the existence of this tendency serves to stimulate the competition for sales among individuals. It

is, however, observable that due to the peculiar circumstances surrounding retail merchants, there is a strong tendency for their number to witness a positive increase in the days of business depression. Because the functions of retail merchants as a whole are considerably reduced in such times, these reduced functions are performed by the actually increased number of retail merchants. Herein, perhaps, lies one cause of the distress of retail merchants to-day.

On the contrary, in days of business prosperity, the total volume of commodities in circulation in society increases considerably, due to the repetition of expansions and reproductions, resulting in the extension of commercial functions as a whole. This ushers in a tendency for the number of intermediary merchants to increase. Not only do merchants at the same stages of circulation increase in number but new classes of merchants appear and increase. Thus, there appears a strong tendency for intermediary merchants to increase when business is prosperous. Then such merchants appear to increase in adversity and in prosperity!

In this way, the business cycles distort the intermediation of merchants or the tendency to eliminate merchants. This is not, however, in any way inconsistent with the theory of the general tendency to elimination already referred to. It is no more inconsistent with it than that in the economic world generally seasonal fluctuations cause changes in business conditions and a general movement, upward or downward, emerges from these changes. That the tendency to eliminate merchants manifests itself most pronouncedly in days of depression in the latter period of capitalism is due to the fact that in addition to the general tendency toward elimination, there springs up another elimination tendency set up by the business panic or depression.

7. CONCLUSION

In short, in the former period of capitalism when the circulation of commodities expanded and became general, a tendency arose for more merchants to intermediate; but in the latter period of capitalism when the concentration of production comes into general vogue, a tendency to eliminate merchants gradually appears. This is the natural outcome of the social requirements arising out of the development of the process of production—which takes the forms of divisions, extensions, concentrations, combinations, amalgamations, etc. etc. It represents, in a manner, one law of commercial development. Although it is related to the conscious efforts and movements of individual producers, consumers and merchants, it embodies one objective law which develops in society, independently of such efforts and movements. In effect, it may be called one of the laws of social progress.

All the social organs must remain so long as they are capable of an effective performance of their respective social functions. No amount of restraint or repression can prevent their continued existence or their development. On the contrary, when any social organ ceases to perform its functions effectually, its continued existence or development becomes impossible, no matter how much protection or encouragement may be bestowed on it. The intermediation of merchants in a certain age and their elimination in another age are, after all, equally governed by the law of social progress. The general elimination tendency is already in progress to-day, and it is even accentuated by the elimination tendency engendered by the world economic crisis or depression. How far will this tendency grow and where will it stop? In the meantime, the form of capital concentration by means of cartels, konzernes and trusts, the form of concentration on union lines as evidenced by sales associations and co-operative societies, and the form of official control by the State or public bodies are develop-

ing, so much so that it is said that the *laissez-faire* economy is being supplanted by the control economy. This state of things is also considerably strengthening the tendency to eliminate merchants.

Will this tendency, then, be carried to the extent of eliminating all the merchants in society, so that a society denuded of merchants eventually comes about? I do not think so. We must recognise that there are certain limits beyond which this tendency cannot go, locally, politically or in its relation to commodities. If one imagines that the tendency to eliminate merchants will go on at the present rate until a society without merchants, commodities and exchange is created, he is either too optimistic or too pessimistic of the future.

In the present article, I have confined my attention to the theoretical study of the subject, but the matter is also of great importance as furnishing the theoretical ground for the study of the policy of management or economic policy. For in framing a policy of business management in private economy it is most important that the law of commercial development should, above all things, be recognised so that the policy of management may be made concordant with it. Otherwise, the managers of no business can hope to succeed. In laying down national economic policy also, the rational existence of such a law of commercial development must first be recognised so as to accord the development of national economy with it. This is essential for helping the rational development of the economic organisation of society. Here we find an essential relation between the theoretical study of the subject and its study from the viewpoint of management.

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